

The Economic Impact of a total Smoking Ban on Bars

Source: Sales data derived from public records made available by the
Texas Comptroller of Public Accounts Office, except as noted.

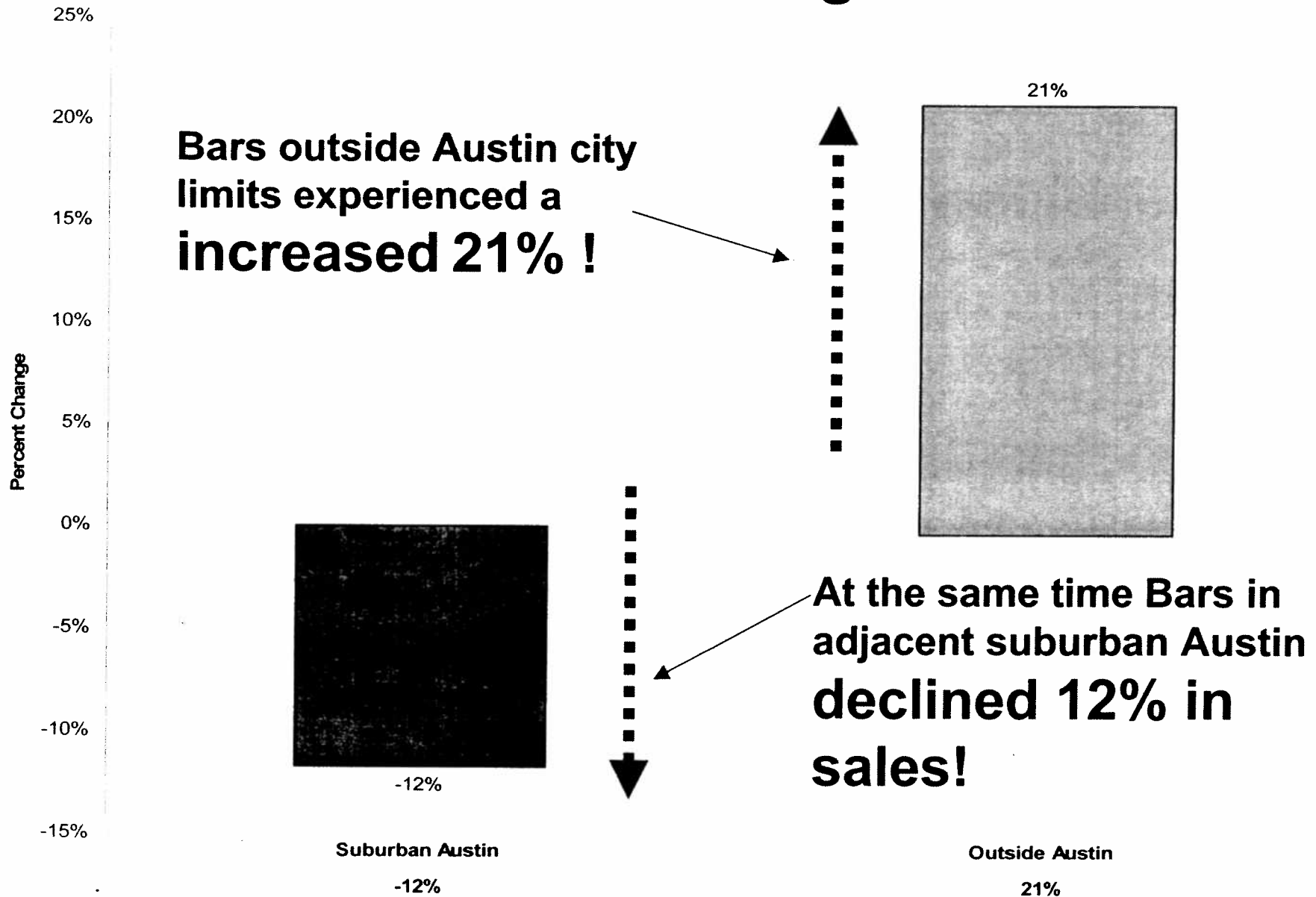
Known Effect of Smoking Ban on Austin Bars

- Bars sales down 17% from retail trend
- Establishments in **fringe** areas experienced greatest decline
- Bar sales outside city limits experienced 20% increase *where no smoking bans*
- Employment and tax revenues down

Smoking Ban began 9/1/2005

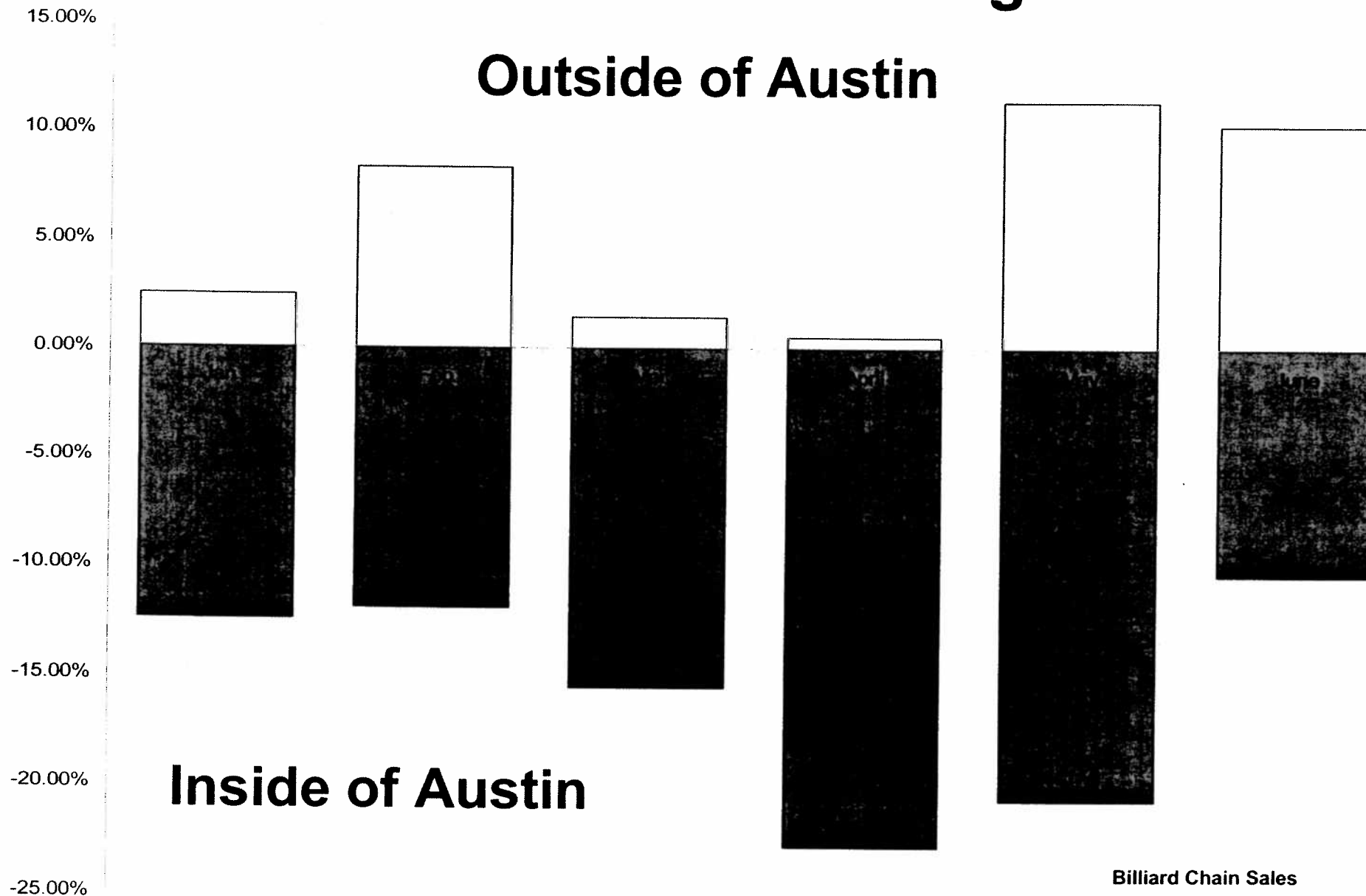
2006 versus 2005 most recent data available

Bars Sales Decline/Gain After Smoking Ban



After Ban Sales Results Outside Austin Versus Fringe Areas

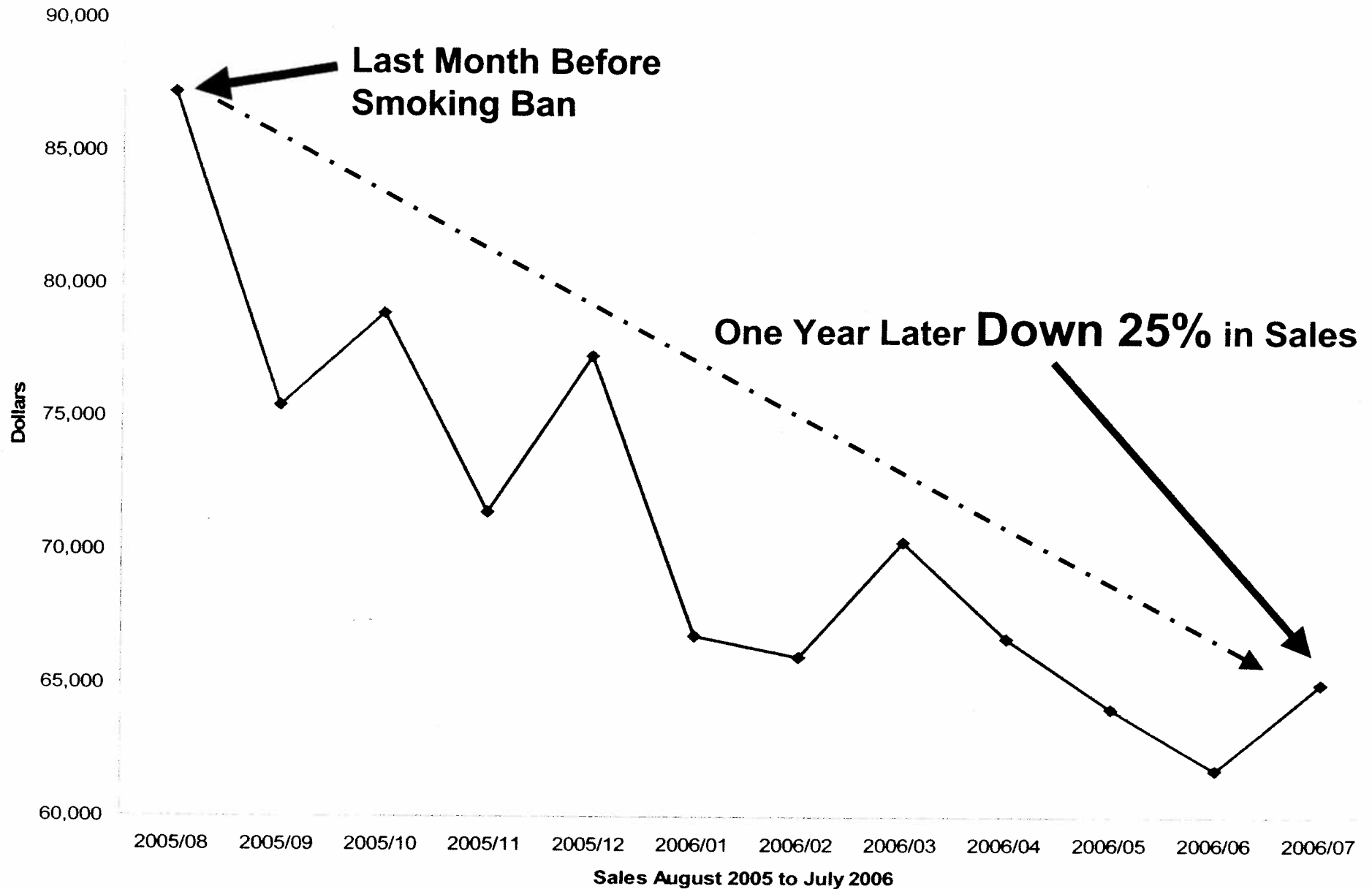
Outside of Austin



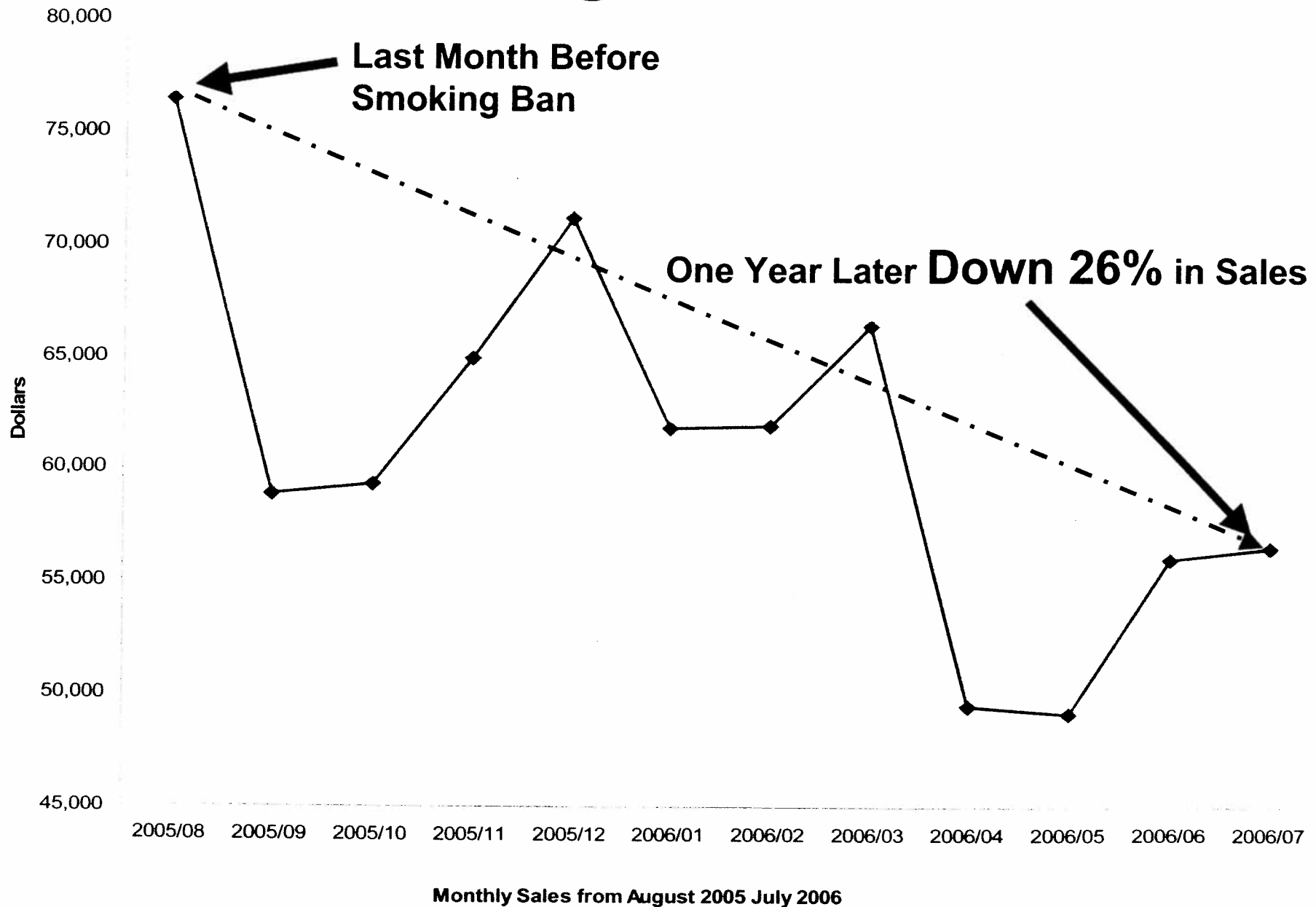
Inside of Austin

Billiard Chain Sales

Austin Clicks Billiards @ North Lamar



Slick Willies @ Burnet Road, Austin



Sherlock's Austin

Post-ban results:

- \$1,300,000 lost sales revenue (-32%)
- \$200,000 in lost taxes *to city and state, does not include payroll*
- \$680,000 in lost salaries and wages
- \$25,000 reduction to off-duty police officers

Sherlock's Austin

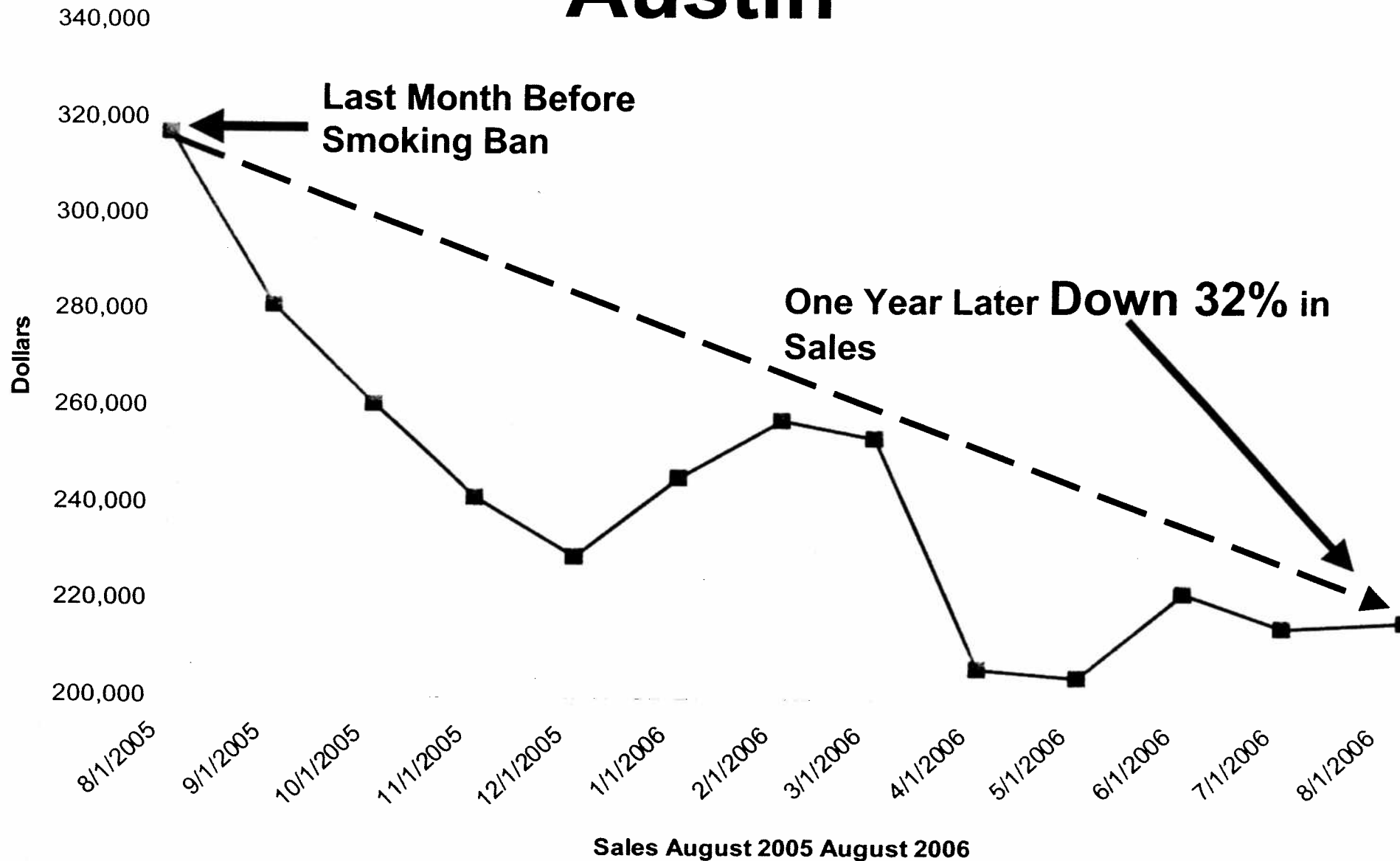
Post-ban employment results:

- 35 employee jobs cut
- 2 manager jobs cut
- 9 wait-staff jobs cut
- 7 bartender jobs cut
- 17 other jobs cut
- \$680,000 in lost salaries and wages

Sherlock's Austin Negative Results

- Pre-ban sales were increasing
- Sales declined **immediately** after ban
- Sales down over 30% from pre-ban levels

Sherlock's Baker Street Austin



Houston Bars Will Be Hurt As Customers Migrate Outside The City Limits

348 bars outside Houston city limits

8.5 times more than Austin!

42 bars outside Austin city limits

Austin TX Hospitality Venues

Austin Area Hospitality Venues
include Restaurants, Bars, Clubs, Pubs, Bowling Alleys, Comedy Clubs,
Halls, Nightclubs, Malls, Dances and Fraternal Organizations.

■ Austin City Limits
• Hospitality Venues Outside Austin Jurisdiction



Baker Street / Sherlock's Houston Economic Impact 6 Properties in City of Houston

- **\$15 million in Annual Sales**
- **Over \$2.2 million in annual taxes**
- **Projected 3.5 to 4.5 million in revenue loss!**
- **Post Ban Taxes/Employment ???**

Houston Bar Industry Impact

**976 Bar Properties in the City of
Houston that will be affected by
a total smoking ban!**

Detrimental Impact to Houston

- Ban will put many bars at a competitive disadvantage.
- City Council will be changing rules of game
- Encroaching upon PROPERTY RIGHTS!
- The downtown entertainment district will be detrimentally affected as the ban will deter smokers from driving in from the fringes of the city.
- Lower tax revenues
- Greater unemployment

Pragmatic Approach for a Compromise

Industries Adversely Affected

- **Hospitality Industry**
 - Bars, Taverns and Clubs
 - Vendors
 - Distributors
 - Equipment Suppliers
 - Landlords
 - Off-Duty Law Enforcement Officers
 - Advertising Agencies
 - Radio and Print Media
 - Cigar Bars
 - Musician
 - Tobacco Retailers

Current Ordinances in Other Cities in Texas

- Reasonable City legislators have successfully addressed business concerns by applying pragmatic standards to smoking legislation
- City ordinance can be drafted to lessen the detrimental effect on businesses

Suggested Bar Definition

- A BAR is any establishment:
 - Distinguished from restaurants
 - Different experience
 - That derives a large percentage of its gross receipts from the sale of alcoholic beverages
 - Serving food, if any, is merely incidental to the primary business of serving of alcoholic beverages
 - Typically over 50% is alcohol to food sales
 - All customers are of the legal age of consent

Additional Requirements Designated Smoking Bars

- Must have a license issued by the City and pay fee
- May have air purification/filtration system requirement
- Must provide signs conspicuously posted which state:
 - “Smoking Is Permitted Throughout The Premises”

Major Texas City Ordinances

City	Ventilation Required	Age Requirement	Restaurants/ Bars Exempt	Food/Alcohol % of Sales
Ft. Worth	Yes	18	Yes/Yes	30/70
Dallas	No	Minor	No/Yes	25/75
Plano	Yes	None	Yes/Yes	N/A
Round Rock	Yes	None	No/Yes	50/50
Waco	Yes	None	Yes/Yes	N/A
San Antonio	No	18	Yes/Yes	10/90
<u>Austin</u> *	Yes	None	No*/No	N/A
Galveston	No	None	Yes/Yes	N/A

Other Texas City Ordinances

City	Ventilation Required	Age Requirement	Restaurants /Bars Exempt	Food/Alcohol % of Sales
Irving	Yes	None	Yes/Yes	N/A
Bryan	Yes*	None	Yes/Yes	N/A
Odessa	Yes*	None	Yes/Yes	N/A
Laredo	N/A	None	No/No	N/A
Sugarland	No	None	Yes/Yes	N/A
Alvin	No	None	Yes/Yes	30/70

*Only required in conjunction with areas designated smoking in same establishment as non smoking

Status of Overly Restrictive Bans Currently in Place

- **Austin**
 - Confusion regarding enforcement even with a total a ban
 - Currently being litigated on various grounds
 - City has spent and will continue to spend significant amounts to defend against the numerous lawsuits filed